

**CALIFORNIA ENERGY COMMISSION**

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Sacramento, California 95814

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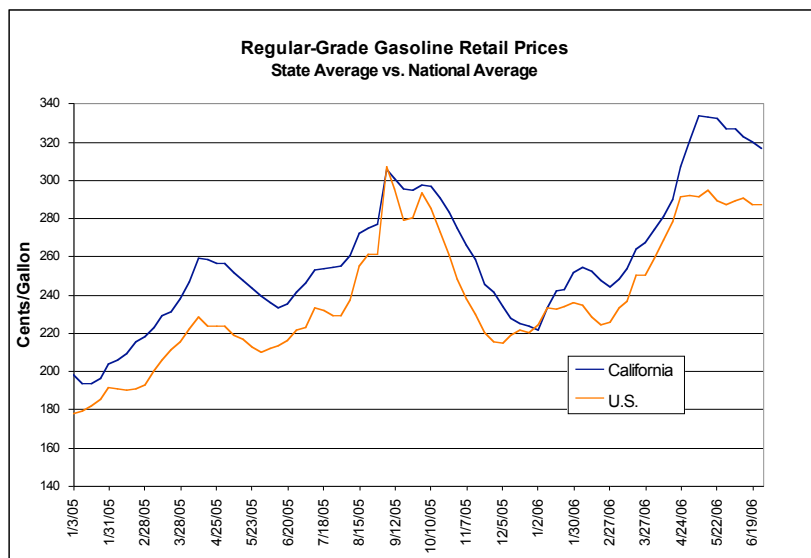
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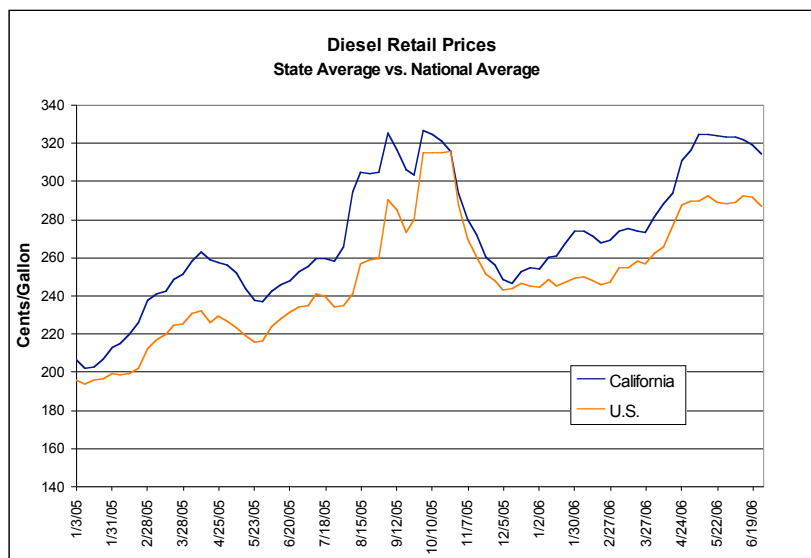
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**Petroleum Watch****June 30, 2006*****Retail Gasoline and Diesel Prices on June 26***

- The average statewide **retail price for regular-grade gasoline** fell approximately 4 cents per gallon this week to \$3.16 per gallon, 17 cents less than the record high of \$3.33 on May 8.<sup>i</sup>
- The difference between California and U.S. retail gasoline prices decreased to 29 cents per gallon because of the drop in California's prices.



- The average California **retail diesel price** dropped 5 cents from the previous week to \$3.14 per gallon. The U.S. retail diesel price also dropped 5 cents, so the difference between California and U.S. prices remained at 27 cents per gallon.

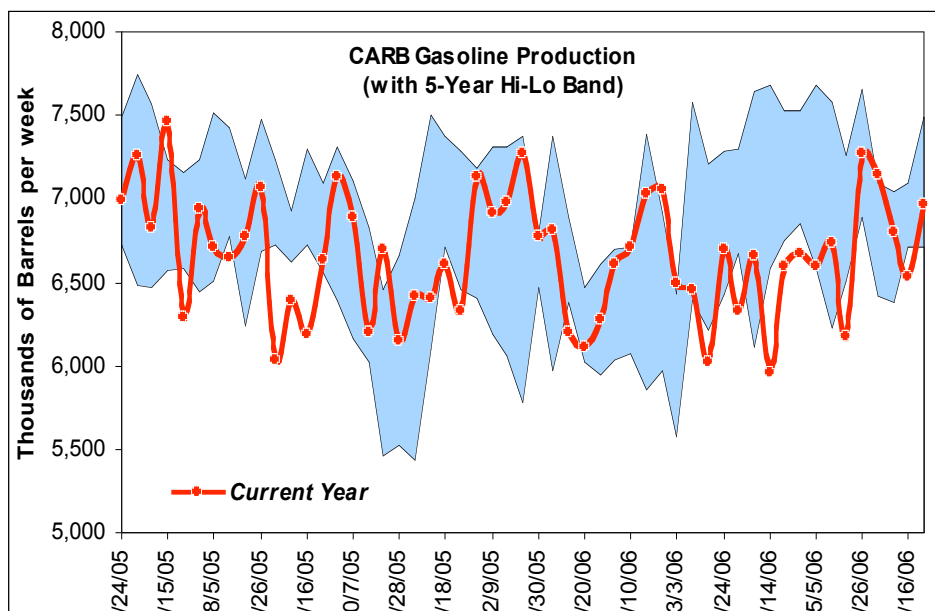


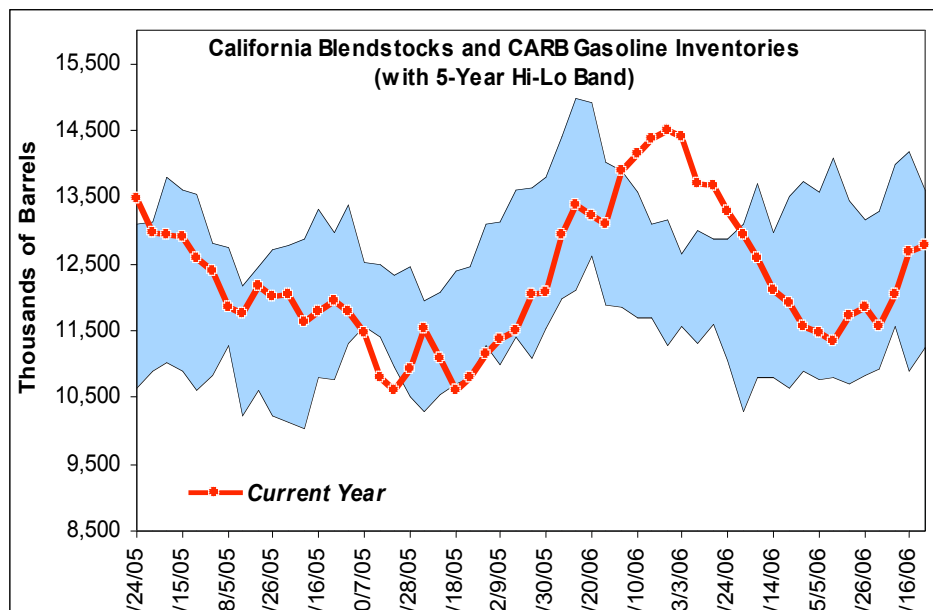
### ***Wholesale Gasoline and Diesel Prices on June 27***

- California spot **wholesale gasoline prices** for regular-grade reformulated blendstock for oxygenate blending (RBOB) rose steadily during the last week to \$2.51 per gallon, 21 cents more than on June 20. Prices are 46 cents lower than the record high of \$2.97 on May 2 but 95 cents more than the 2006 low of \$1.56 on February 14.
- A rise in national gasoline spot prices from unplanned refinery outages elsewhere in the United States, an oil spill closing the shipping channel to refineries at Lake Charles in Louisiana, and higher crude oil prices have pushed California spot prices up from last week.
- The difference between spot prices in California and New York Harbor rose from last week, while the difference compared to the Gulf Coast fell slightly. Prices for RBOB are 18 cents per gallon higher in Los Angeles than at New York Harbor and 15 cents higher than the Gulf Coast.
- California spot **wholesale low-sulfur diesel prices** rose 11 cents during the last week to \$2.26. Prices are still 42 cents lower than the record high of \$2.68 on May 3.
- The difference between California and Gulf Coast wholesale low-sulfur diesel prices rose to 14 cents more in Los Angeles, 2 cents more than on June 20.
- The difference between California gasoline and diesel spot prices rose through the week and ended at 25 cents more for gasoline, an increase of 10 cents from June 20.
- The Energy Information Administration (EIA) weekly assessment for June 23 reports that **U.S. gasoline demand** grew 1.2 percent from the previous week, while distillate demand rose only 0.1 percent. The four-week average demand for gasoline is 9.44 million barrels per day, 0.2 percent more than last year. The four-week average for U.S. distillate demand is 4.07 million barrels per day, 0.3 percent lower than last year.

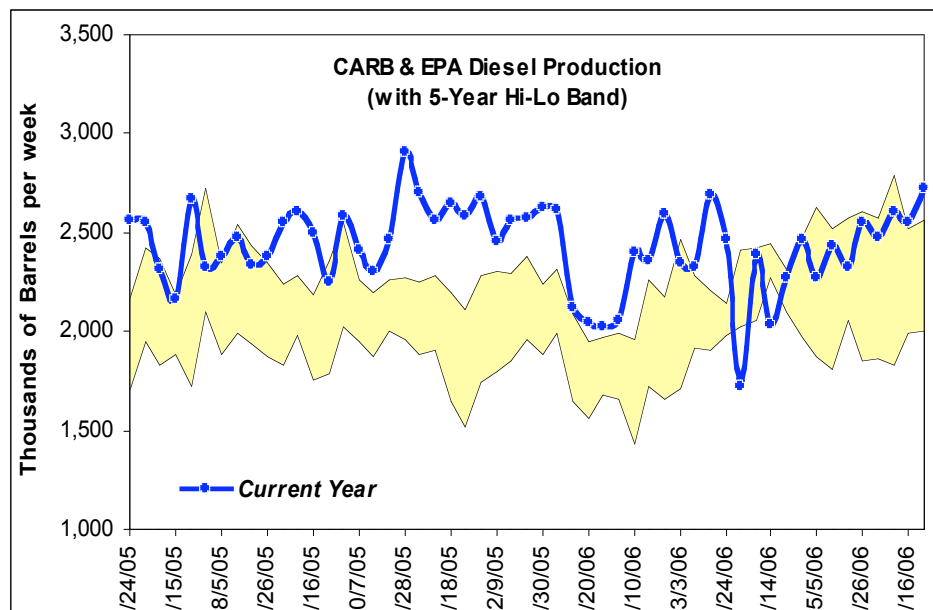
## Refinery Production and Inventories

- Reformulated **gasoline production** in California during the week ending June 23 reversed three weeks of declines, rising 6.5 percent from the previous week to 6.96 million barrels. With very little output during the week lost to unplanned outages, California reformulated gasoline production climbed back to the middle of the five-year range.<sup>ii</sup>
- With production increasing, California reformulated **gasoline inventories** grew 8.6 percent from the previous week but gasoline blendstock inventories fell 4.2 percent. As a result, **combined inventories** of reformulated gasoline and gasoline blendstocks in the state **increased only 0.7 percent** to 12.76 million barrels and remain near the middle of the five-year range.
- U.S. gasoline inventories fell for the first time in two months, dropping to 212.4 million barrels as of June 23. This largely unexpected draw of 1.1 million barrels was due to increased gasoline demand, lower production and import levels that fell below 1 million barrels per day for the first time in 10 weeks.

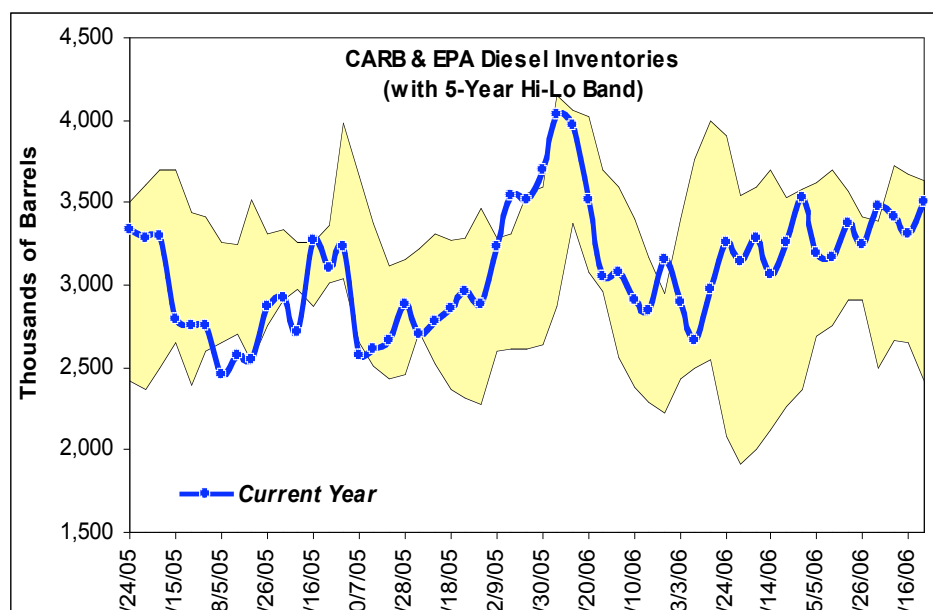




- California low-sulfur **diesel production** during the week of June 23, including both California diesel and U.S. Environmental Protection Agency (EPA) diesel, jumped 6.6 percent from the previous week to 2.72 million barrels. Output exceeded the upper end of the five-year range for the date and is at its highest levels since October 2005.

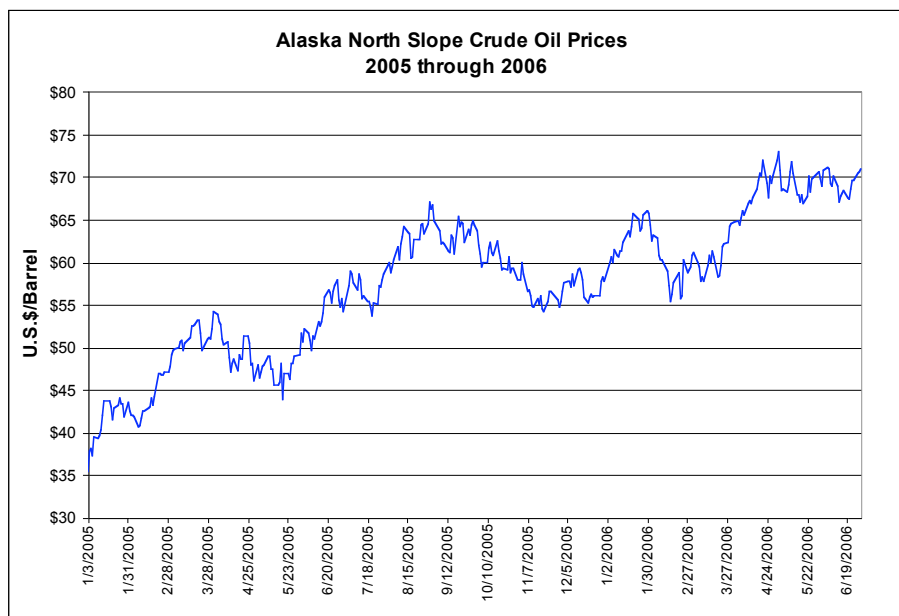


- Combined low-sulfur **diesel inventories** in California grew by 5.7 percent from the previous week to 3.5 million barrels and have increased to near the upper end of the five-year range. Total U.S. distillate inventories as of June 23 increased to 126.3 million barrels, 1.8 million barrels higher than the previous week and 13.1 million barrels more than last year.



### **Crude Oil Prices and Inventories**

- West Coast prices for Alaska North Slope (ANS) crude oil, an important refinery feedstock for California, have climbed over the last week. Several statements by Iranian officials regarding the confrontation over their nuclear ambitions with the United States and European countries contributed to the price increases. Ayatollah Khamenei has said that Iran does not need to negotiate with the United States on the issue and the Iranian Oil Minister indicated that Iran would use oil as a weapon if its interests were attacked. Western countries are also unhappy with the pace at which President Ahmadinejad has said Iran will respond to their recent proposal aimed at curbing the nuclear program. The closing of the Calcasieu Ship Channel below Lake Charles in Louisiana due to an oil spill has also helped push up all petroleum commodity prices. The U.S. Department of Energy, however, has approved loans of Strategic Petroleum Reserve crude oil to several refineries in the region, somewhat mitigating the price increases. ANS oil prices ended this last week at \$70.89 per barrel as of June 28.<sup>iii</sup>



- U.S. commercial crude oil inventories fell as imports declined, partly as a result of the closing of the Calcasieu Ship Channel, and crude oil inputs to refineries increased. Stocks were at 343.7 million barrels as of June 23, 3.3 million barrels less than the previous week, but still 15.2 million higher than last year and 33.2 million more than the five-year average.
- Offshore crude oil production in the Gulf Coast has slowly returned in recent months but a significant amount remains off-line. In its latest report on hurricane outages on June 19, the Minerals Management Service indicated that about 12 percent of U.S. Gulf of Mexico offshore oil production, or 179,970 barrels per day, was still shut down from last year's hurricanes. More than 166 million barrels of crude oil production had cumulatively been lost to these hurricanes since late August, about 30 percent of annual Gulf of Mexico offshore oil production.

<sup>i</sup> Spot wholesale and retail gasoline and diesel prices and U.S. crude oil and product inventory estimates are from the Energy Information Administration of the U.S. Department of Energy.

<sup>ii</sup> California refinery production and inventory information are from the Petroleum Industry Information Reporting Act (PIIRA) database maintained by the California Energy Commission.

<sup>iii</sup> ANS crude oil prices are from *The Wall Street Journal*.